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SUBJECT: PRIVATE POWER STATION IN EASTERN TAJIKISTAN RECOVERS FROM  
DAMAGING ACCIDENT, AND PLANS TO SUPPLY TO AFGHANISTAN

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¶1. Summary: Pamir Energy, the private energy company serving all of Gorno-Badakhshan in eastern Tajikistan, has largely bounced back from its catastrophic accident in February 2007 when its main hydropower station Pamir 1 flooded, but continues to face cash flow problems due to inefficient distribution and billing. The company's Soviet-era grid continues to deteriorate, and the company is seeking new investment to sustain power supplies to the region and to develop new hydropower projects. The company's parent organization, the Aga Khan Fund for Economic Development, signed a Memorandum of Understanding with the governments of Tajikistan and Afghanistan in August to supply up to 11MW of electricity across the border into Afghanistan during the summer months beginning next year. U.S. funding could help the region by supporting feasibility studies of hydropower plants at Rushan and Sarez. End Summary.

¶2. Pamir 1 generates up to 28MW of Pamir Energy's overall 42MW capacity during summer months. Demand for electricity increases during the winter, and on average each resident uses 1,500 kWh -- one of the highest usage rates in the world according to Pamir Energy officials. The winter shortfall of electricity to on-grid customers is 14MW, while off-grid customers require 10MW more energy. The company plans to begin construction this month of a transmission line across the border to Afghanistan from Khorog, and complete a contract to sell 0.5MW of wholesale electricity to Afghanistan to supply five Afghan villages during the seven summer months, with the intent to expand the exports up to 11MW in coming years.

¶3. Pamir Energy continues to struggle with profitability, and relies on continued contributions from its investors, who according to General Director Daler Jumaev, are growing impatient. Pamir Energy currently charges 1.97 cents per kWh on average for electricity, higher than much of Tajikistan, but still loses \$1 million per year. Next year the company expects

to become profitable on a cash flow basis, but without repayment to its investors. Pamir Energy plans to increase tariffs 15% each year through 2010 according to its concession agreement.

14. The company is also seeking to stem its losses from theft and nonpayment, up to 39% of the company's output. City non-commercial residents are the biggest non-payers - 73% of debts come from Khorog. Rather than individual meters, the company relies on a Soviet-era feeder system that controls electricity supply to housing blocks, making cutting off electricity to debtors difficult. Crafty residents readily tap into the wires when cut off, and string electricity to their homes.

15. The regions outside Khorog on the grid receive less electricity than the city. Khaillakum receives 16 hours a day during the summer but as little as one hour during the winter, and Pamir Energy buys power from state-owned Barqi Tojik to help supply this western region. Some villages have sought credit to install 1-2kWh micro-hydro plants to help supplement unreliable electricity in remote areas.

16. Off the grid, the 7,000 residents of Murghab are supplied by a 300kW hydropower plant that USAID helped repair in 2002. The weak 150-volt wattage the power plant supplies to the 220-volt system provides homes with a dim yellowish glow. Pamir Energy estimates that \$6 million is needed to rehabilitate its nine off-grid mini hydro plants that serve thousands of the region's more isolated residents. China is considering building a hydropower plant on its side of the border at the Kulma Pass which would serve residents 90km-away in Murghab. Pamir Energy hopes that other donors, particularly Aga Khan's Mountain Society Development Support Program, will take over its money-losing regional power stations. The Mountain Society Development Support Program already runs 38 micro-hydro plants in Gorno-Badakhshan.

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17. Although Pamir Energy provides the residents of Gorno-Badakhshan a more reliable supply than most of the country receives from state-owned Barqi Tojik, its residents demand yet lower tariffs, and the local government harps on the company to reduce its rates. [Comment: This experience counters the argument that if the population is provided steady electricity they won't mind paying more for it. End Comment.] The February flooding accident helped improve Pamir Energy's image, as residents chipped in to help bring the first of the power plant's generators back online in 45 days.

18. Pamir Energy discussed two potential hydropower projects with EconOfs October 5 -- Rushan and Sarez Lake -- that could serve Tajik and Afghan areas. The Rushan dam would provide up to 300MW in the summer and 60-80MW in the winter, with Faisabad in Afghanistan as the main customer, using 20-40MW. A hydropower plant at the natural dam at Sarez Lake could provide up to 200MW and would connect to the Nurek dam grid, potentially sending electricity to Afghanistan and Pakistan. Installing a hydropower station at Sarez would also address a regional safety issue. Sarez Lake is contained by a "natural dam" created when a powerful earthquake caused a landslide which blocked the Murghab River in 1911. This barrier is believed to be unstable and the area below the lake vulnerable to catastrophic flooding if another earthquake were to break the dam. A hydropower station would mitigate the risk of a catastrophic flood by reducing the water level in the reservoir and would be less problematic to Uzbekistan than other hydro projects. A recent study by the Swiss consulting firm "Stucky" assessed that the natural dam can be used for hydropower purposes. Both projects require feasibility studies to assess market and technical issues.

19. Pamir Energy also faces a shortage in newly trained specialists to help run its hydropower operations. Talent must be developed locally through the Khorog State University engineering program, or the developing Central Asia University

in Khorog, also funded by the Aga Khan network. Company officials suggested that a university exchange program with a U.S. hydrological program could help develop new expertise from the area.

¶10. General Director Daler Jumaev took the reins of Pamir Energy last year after several unsuccessful predecessors lasted, on average, six months each. Originally from Khorog and trained in hydrological engineering, the English-speaking Jumaev (a USG exchange program alumnus) brings the company increased local credibility to further the company's agenda.

¶11. Comment: The United States could help develop Tajikistan's massive hydropower resources and strengthen its capacity to send energy to South Asia by funding feasibility studies for the Rushan and Sarez projects. While U.S. programs struggle to help reform the government-owned energy company Barqi Tojik, privately-owned Pamir Energy leads the sector financially and in providing services. End Comment.  
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